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DE RUEHPE #0884/01 0801210
ZNR UUUUU ZZH
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TO RUEHC/SECSTATE WASHDC PRIORITY 4528
INFO RUEHBO/AMEMBASSY BOGOTA PRIORITY 4470
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 2828
RUEHCV/AMEMBASSY CARACAS PRIORITY 0234
RUEHLP/AMEMBASSY LA PAZ MAR 4120
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 9135
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RUEHSG/AMEMBASSY SANTIAGO PRIORITY 1181
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 4383
RHMFIUU/CDR USSOUTHCOM MIAMI FL PRIORITY
RUEHC/DEPT OF LABOR WASHINGTON DC PRIORITY

UNCLAS LIMA 000884

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SENSITIVE

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E.O. 12958: N/A

TAGS: [ELAB](#) [ETRD](#) [PGOV](#) [PHUM](#) [PE](#)

SUBJECT: LABOR LEADERS SKEPTICAL ABOUT GARCIA, FTA, LABOR
LAW

REF: A. LIMA 33

[1](#)B. LIMA 167

[1](#)C. LIMA 667

[1](#)1. (SBU) Summary: During a March 12 Embassy event, Peruvian labor leaders claimed that President Garcia had betrayed the trust of organized labor by reneging on key campaign promises. They were skeptical that the benefits of the Peru Trade Promotion Agreement (PTPA) would "trickle down" to the poor, and believed the General Labor Law did not adequately protect worker rights. Speaking about the government's effort to defang the teacher's union (SUTEP), they said it revealed an anti-union bias. Comment: Many observers have applauded Garcia's pro-growth policies, but labor's skepticism about how wealth and benefits are distributed go to the heart of the challenges facing his government. End Comment and Summary.

[1](#)2. (U) DCM Phyllis Powers hosted a reception for 21 labor leaders as an informal follow up to Deputy USTR John Vereneau's meetings with union officials, business leaders and government representatives, including President Garcia and Labor Minister Pinilla. Participants included representatives from Peru's three largest labor unions (CGTP, CTP, and CUT), as well as smaller confederations representing judicial workers, healthcare professionals and performing artists.

Garcia Reneges on Promises

[1](#)3. (U) Labor leaders criticized President Garcia for betraying their trust by campaigning on a labor friendly platform only to cater to business interests once assuming office. Specifically, they said Garcia had promised a return to the 1979 Constitution, in which strong labor protections such as the right to stable employment were enshrined, but had done nothing to fulfill that promise since taking office.

(Note: Even if the government wished to push for it, there is little Congressional support to return to the 1979 document. End Note.) They also noted that Garcia had pledged to reopen negotiations on the PTPA but had since become a strong supporter of the agreement as is. Finally, they said the president had promised to push for a more labor-friendly General Labor Law but had since (in their view) taken the side of business on this sensitive issue.

Down with the FTA and the General Labor Law

¶4. (U) Most labor representatives were sharply critical of the PTPA. Many openly doubted that the agreement's benefits would "trickle down" to workers and believed instead that, by favoring powerful producers over unprotected workers, it would widen the gap between rich and poor. The agricultural workers union was particularly concerned the agreement would open Peru to potentially devastating competition from U.S. agricultural conglomerates. Some leaders saw calls by U.S. Congressional representatives to strengthen the labor protections in the agreement as a ray of hope, and several acknowledged that as long as the agreement remained unfinished organized labor would maintain leverage to negotiate its interests in the General Labor Law and elsewhere.

¶5. (U) Many labor representatives also believed that the General Labor Law, currently stuck in Congress's labor committee (refs), failed adequately to protect workers' rights. Several characterized as unfair the widespread criticism that organized labor sought only to represent the small fraction of workers in Peru's formal sector, and said they wished to expand labor protections for all workers. In this connection, they noted their interest in seeing the law reduce or eliminate the practice of rampant subcontracting, which resulted in a majority of workers in many sectors enjoying few or none of the basic labor rights guaranteed to full formal employees ("en planilla"). In their view, the proposed law did not do this, did not guarantee sector-wide organizing and did not provide protections for informal workers, which is why labor protections in it needed to be strengthened.

Breaking SUTEP Equals Anti-Union Bias

¶6. (U) Commenting on the GOP's (so far successful) attempt to break the stranglehold of the Maoist national education union (SUTEP) over the education system, several labor leaders said they thought it reflected the government's anti-union bias. Although few were sympathetic with the education union's radical politics, many worried that the government may be emboldened to take on other unions in the future. In response, they said, many unions were mounting membership drives and information campaigns for their members.

Comment: Labor's Rejectionism Reflects Broader Challenge

¶7. (SBU) Embodying in some cases the entrenched views of an anachronistic Latin American left, labor leaders were predictably rejectionist in their views of Garcia's moderate pro-growth policies and the benefits of the PTPA. Where they see campaign promises discarded, others see a president who has learned (the hard way) the importance of economic pragmatism -- the need for free trade, a labor law that favors growth, and unions that seek to represent workers rights and not radical and untenable political positions. Still, labor's skepticism about how wealth and benefits are distributed, and particularly how the underrepresented poor and the working class will fare under the new rules, go to the heart of the challenges facing the Garcia government.

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